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August 29, 2003

The Honorable Spencer Abraham
Secretary
Department of Energy
Washington, DC 20585

Dear Secretary Abraham:

I am writing to express my grave concerns regarding the historic spike in gasoline prices that occurred just prior to the Labor Day holiday, when Americans typically drive long distances to and from holiday destinations. I urge you to commission an immediate and urgent investigation of the operation of the gasoline markets to determine what is causing this spike and to hold accountable those who may be engaging in unjustifiable price gouging of American families.

As you know, gasoline prices have spiked to up to \$2.00/gallon in some parts of the country in the past two weeks, with the national average for regular at around \$1.75 -- its highest level ever. Stations in eastern Massachusetts, for example, have seen prices jump by 22 cents or more in two weeks -- and by 10 cents in one day. In my 26 years on the Energy Committee of the United States Congress, I have never witnessed such a price shock to the driving public.

There have been several explanations offered in the press for the hike in gasoline prices -- refineries shutting down for a day or two by the recent blackout -- a broken gas pipeline in Arizona; -- instabilities in the price or production levels of crude oil worldwide.

However, others have concluded that these disruptions are not sufficient to explain the extraordinary nature of the latest price increases, and that something more manipulative is going on. It appears that inventories have been kept low, leaving little room for responding to disruptions except by cranking up prices. Some claim that oil companies have been curbing production since before the Gulf War in an intentional maneuver to pump up gasoline prices for the peak of the summer holiday driving season. There have also been reports of price gouging all around the country.

Still others have suggested that oil company profit margins are low and that higher gas prices simply reflect justifiable profit-taking. Available evidence, however, indicates that oil companies are doing just fine. Exxon Mobil Corporation, the world's largest publicly traded oil company, posted second quarter profits that rose 58 percent to

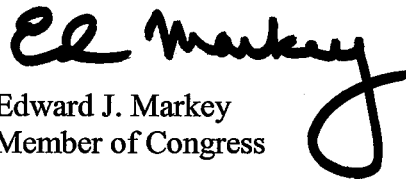
\$4.17 billion compared to the same quarter last year. Chevron Texaco's second quarter profits rose around 400 percent to \$1.6 billion as compared to the same quarter last year.

Consequently, I ask for your prompt assistance in answering the following questions:

- 1) Why has the price of gasoline increased by 20 percent in just two weeks? Please specifically describe to what extent any particular factor contributed, nationally and regionally.
- 2) Please fully describe all accounts of gasoline price gouging that have taken place since July 1, 2003, as well as what steps have been taken to halt these activities and punish those responsible for them.
- 3) When do you anticipate gasoline prices will begin to drop, and why?
- 4) Would the reliability of our gasoline production system be enhanced by a requirement that oil companies maintain minimum inventories sufficient to ensure that temporary conditions such as increased demand over a holiday weekend or unexpected events such as a blackout or pipeline break do not become an excuse to price gouge consumers? If not, why not?

Thank you for your prompt attention to this matter. Please provide a plan for this investigation no later than September 15, 2003, including a timeline for completing the investigation and providing your findings and conclusions as soon as is practicable. Thank you.

Sincerely,


Edward J. Markey
Member of Congress